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SUBJECT: CIVAIR: SAFETY ISSUES COULD RESULT IN EUROPEAN BLACKLIST OF VIETNAM AIRLINES

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(U) This cable is sensitive but unclassified and not for internet distribution.

¶1. (SBU) Summary: U.S. aviation experts from the FAA, Boeing, and Robinson Aviation met with officials of the Civil Aviation Administration of Vietnam (CAAV) and Vietnam Airlines. The team discussed the results of a December 2007 civil aviation safety audit conducted in Vietnam by the International Civil Aviation Organization (ICAO), and the resumption of a technical assistance project to help Vietnam upgrade its civil aviation safety posture. The ICAO audit finds serious shortcomings in Vietnam's civil aviation safety oversight system. The FAA cited safety checks in Paris on Vietnam Airlines' Boeing 777s and rumors that the EU may blacklist Vietnam's air carriers. A European ban could damage Vietnam Airlines' business plan, including purchases of Boeing aircraft, and Vietnam's tourism and investment climate. A CAAV official recommended high-level intervention by the Embassy with the Minister of Transport to underscore the seriousness of Vietnam's civil aviation regulatory issues and to urge an increase in funding and staffing for the CAAV. End summary.

¶2. (SBU) From July 8-11, 2008 a team of aviation experts from the FAA, Boeing, and Robinson Aviation, a technical contractor for the U.S. Trade and Development Agency (TDA), traveled to Vietnam to meet with officials of the Civil Aviation Administration of Vietnam (CAAV) and Vietnam Airlines. The team discussed the results of a December 2007 Universal Safety Oversight Audit (USOAP) conducted in Vietnam by the International Civil Aviation Organization (ICAO), and the resumption of a technical assistance project to help Vietnam upgrade its civil aviation safety posture. According to a report of the ICAO audit, which is not yet publicly available but which ICAO will make public in September, Vietnam has serious problems with its civil aviation safety oversight system.

SOURCES SAY EUROPE MAY BLACKLIST VIETNAM AIRLINES

¶3. (SBU) According to the ICAO report, which the CAAV provided to the Embassy, the CAAV has insufficient resources to hire and retain qualified inspectors and experienced aviation safety technical staff. The report says that Vietnam's national civil aviation law does not empower the CAAV to regulate and oversee aviation safety, including inspections of aircraft and aviation facilities. (Note: Boeing and RVA sources told Econoff that the GVN has imposed a 170-employee limit on the CAAV. The CAAV also has no fulltime inspectors. By comparison, Miami International Airport has 400 FAA inspectors. End note). The ICAO report cites other shortcomings, including weak oversight over airport safety operations, unclear

lines of responsibility, poor record keeping, a failure to conduct medical assessments on pilots, improper handling of hazardous goods, unlicensed personnel, the absence of a safety management system or accident prevention program, and other issues. The ICAO USOAP audit examines sixteen annexes and CAAV had issues in every annex.

14. (SBU) Although ICAO has no enforcement powers per se, the audit is significant because aviation regulators around the world rely on ICAO reports in their own evaluations of whether states are carrying out their aviation safety obligations. According to the FAA, airport authorities in Paris, presumably tipped off by USOAP inspectors, have recently been conducting ramp safety checks on Vietnam Airlines' Boeing 777s and have confirmed a number of violations contained in the ICAO report. The FAA cited rumors that Vietnam Airlines could be the next carrier to join a growing list of airlines banned from European airspace. In 2007, after ICAO conducted an equally poor audit in Angola, the EU blacklisted Angola's national flag-carrier, TAGG, shortly after Paris airport authorities began conducting similar ramp checks. In 2007, the EU also banned all 51 Indonesian carriers, including state-run Garuda, from flying to Europe. We also understand from an FAA source that on July 14, 2008, the European Union will announce whether it will blacklist all airlines in Cambodia and the Philippines.

TDA SAFETY PROJECT WILL NOT REMEDY SAFETY SYSTEM -----

15. (SBU) The CAAV and technical contractor Robinson Aviation are about to resume work on a long-delayed \$1.4 million technical assistance project funded principally by the TDA to help Vietnam upgrade its civil aviation safety posture. Although the project will help improve Vietnam's civil aviation regulation, the FAA, Boeing and Robinson Aviation all emphasized that the CAAV's chronic lack of resources and staffing would preclude Vietnam from implementing much of the project's work, including the necessary

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information technology systems. They also said the CAAV would be unlikely to pass an FAA International Aviation Safety Assessment (IASA) and secure a Category I safety rating, allowing Vietnam Airlines to open service to the United States, even after CAAV completes the project. A Boeing source, who previously conducted IASA audits for the FAA, opined the FAA would never grant a Category I safety rating to Vietnam if the EU were to blacklist Vietnam's air carriers first. The sources all stressed that an EU ban would doom Vietnam Airlines' business plan, including its purchase of Boeing Aircraft, and damage Vietnam's investment and tourism climate.

GVN LEADERSHIP UNAWARE OF THE PROBLEM -----

16. (SBU) In a June 10, 2008 meeting, CAAV Deputy Director General Lai Xuan Thanh acknowledged to the FAA's Mary Walsh and Econoff the depth of Vietnam's civil aviation safety woes. He intimated that the GVN's leadership, including Minister of Transport Ho Nghia Dung, was unaware of the disastrous results of the ICAO audit, its implications for Vietnam Airlines' business plan, and the serious impact that a European flight ban could inflict on Vietnam's economy. Thanh proposed a meeting between either the Ambassador or DCM and the Minister of Transport to impress upon the Minister the gravity of the situation and implore the GVN to pour more resources into the under-funded and understaffed CAAV.

17. (SBU) Comment: The airline sector has dramatically outpaced the growth of the regulator in Vietnam. Vietnam Airlines, which plans to equitize in 2009, flies international routes aboard ten modern Boeing 777 airplanes, has 21 Boeing 787 Dreamliners on order (with plans to order at least eight more in 2008), and has ambitions to become one of the preeminent air carriers in Southeast Asia. In addition, two new privately owned startups, VietJet Air and Air Speed Up, recently signed agreements to procure Boeing 737 jets. Sources from the FAA, Boeing, and Robinson Aviation all emphasized that if the GVN does not increase funding to the CAAV in the short term, either by increasing direct government support or diverting revenue from well-funded Vietnam Airlines, that Vietnam's air carriers could find themselves with fleets of modern jets but no

routes to fly.

18. (SBU) The FAA's Mary Walsh cleared this cable.

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